

Message Text

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ACTION ARA-10

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TAGS/ EFIN, PE

SUBJECT: BALANCE OF PAYMENTS INFORMATION

REF: STATE 199613

1. THE FOLLOWING ARE PERU'S BALANCE OF PAYMENTS FIGURES IN
MILLIONS OF DOLLARS.

	1972	1973	1974	1975
			(PROJECTED)	
EXPORTS	944	1,137	1,573	1,600
IMPORTS	839	1,029	1,999	2,400
TRADE BALANCE	105	108	-426	-800
SERVICES	-186	-251	-383	-500
CURRENT ACCOUNT	-81	-143	-809	-1,300
CAPITAL ACCOUNT	131	156	1,096	1,200
BALANCE	50	13	287	-100

1975 ESTIMATES WERE MADE BY NATIONAL PLANNING INSTITUTE

2. WE CHOSE THE ABOVE ABBREVIATED FORM OF PRESENTATION
BECAUSE OF THE ALMOST COMPLETE LACK OF RELIABLE
STATISTICS REAGRDN THE COMPONENTS IN EACH CATEGORY.

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3. 1975 ESTIMATES ARE BASED ON THE ASSUMPTION THAT THE

WORLD RECESSION HAS HAD AN EFFECT ON THE GENERAL ECONOMIC ACTIVITY IN PERU. GROWTH IN GROSS DOMESTIC PRODUCT FOR 1975 IS NOW EXPECTED TO BE 5.0 PERCENT RATHER THAN THE ORIGINAL 1975 PROJECTION OF 5.9 PERCENT MADE IN LATE 1974.

4. THERE HAS BEEN A TREMENDOUS UPSURGE IN IMPORTS IN THE FIRST SEMESTER OF 1975. GOP OFFICIALS EXPLAINED THIS AS A COMBINATION OF IMPORTERS ANTICIPATING PRICE INCREASES AND SUPPLY SHORTAGES AND THEIR ATTEMPT TO OVERCOME THIS BY IMPORTING AS MUCH OF THEIR 1975 REQUIRMENTS AS EARLY AS POSSIBLE. EVEN GOVERNMENT AGENCIES AND PUBLIC ENTERPRISES DID THIS. THEREFORE, OUR ESTIMATES ARE BASED ON AN ANTICIPATED SLOWING DOWN OF IMPORTS IN THE SECOND SEMESTER.

5. WE ESTIMATE THAT THERE WILL BE ALMOST NO GROWTH IN THE EXPORT SECTOR IN 1975. THIS IS BASED ON THE CONTINUED LOW PRICE FOR PERU'S MAJOR EXPORTS AND PERU'S COMMITMENT TO REDUCE COPPER EXPORTS UNDER THE CIPEC ARRANGEMENTS. ALTHOUGH RECENT RECOVERIES IN SUGAR AND COFFEE MIGHT RESULT IN IMPROVED OVERALL EXPORT PERFORMANCE, WE DO NOT BELIEVE THE DIFFERENCE WILL BE SIGNIFICANT. HOWEVER, A RECOVERY OF MINERAL PRICES WOULD BE REFLECTED RAPIDLY IN PERU'S TOTAL EXPORT VALUES. THE DEPARTMENT IS A BETTER JUDGE OF THIS POSSIBILITY THAN WE.

6. THUS, THE RESULTING TRADE DEFICIT WILL BE CONSIDERABLE LARGER THAN IN 1974. THIS DEFICIT, WHEN COMBINED WITH PERU'S TRADITIONAL DEFICIT ON SERVICES, INDICATES GROSS FINANCIAL REQUIREMENTS OF \$1.3 BILLION, A 61 PERCENT INCREASE OVER 1974. KNOWLEDGEABLE SOURCES BELIEVE THAT PERU WILL BE SUCCESSFUL IN OBTAINING SUCH RELATIVELY LARGE CAPITAL INFLOWS. IN FACT, COMMERCIAL BANKERS FIRMLY STATE THAT ROLL-OVER REQUIREMENTS AND NEW CREDITS FOR 1975 ARE ASSURED. IT SHOULD BE NOTED, HOWEVER, THAT IN 1974 THE CAPITAL ACCOUNT WAS BOLSTERED BY A LARGE SHORT-TERM CAPITAL INFLOW CAUSED BY CHANGES IN IMPORT REGULATIONS IN MID-1974. THE 1975 CAPITAL REQUIREMENT HAS TO BE COVERED WITHOUT THE ASSISTANCE OF SUCH SHORT-UNCLASSIFIED

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TERM INFLOWS.

7. AS STATED ABOVE, OFFICIAL FOREIGN EXCHANGE RESERVES ARE EXPECTED TO FALL ONLY \$100 MILLION IN 1975, FROM \$700 MILLION AT THE BEGINNING OF 1975 TO \$600 MILLION AT YEARS END. ALTHOUGH FOREIGN EXCHANGE RESERVES SHOW A SHARP DROP IN THE FIRST SEMESTER TO UNDER \$300 MILLION, THIS IS CONSIDERED MERELY A TECHNICAL DECLINE

CAUSED BY LARGE EARLY IMPORTING AND A FAILURE TO DRAW-
DOWN ON A NUMBER OF FOREIGN LOANS. THE RESERVE
SITUATION REPORTEDLY IS ALREADY IMPROVING.
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